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Message Text

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PAGE 01 OECD P 05160 182011Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 AGRE-00
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R 182056Z FEB 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 5400
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: EFIN, OECD
SUBJECT: LIBERALIZATION OF CAPITAL MOVEMENTS BY JAPAN

REF: (A) C(76)160, (B) CES/77.07, (C) TOKYO 2490

1. AT ITS FEB. 15 MEETING, OECD COUNCIL ADOPTED DRAFT ENTRY INTO ITS MINUTES CONTAINED REF B, WHICH INCLUDES DECISION AMENDING ANNEX B OF CAPITAL MOVEMENTS CODE (CMC) TO REFLECT THE CONSIDERABLE CURTAILMENT OF RESTRICTIONS ON CAPITAL MOVEMENTS EMERGING IN COURSE OF THIRD EXAMINATION OF JAPAN'S RESERVATION (SEE REF A--REPORT OF INVISIBLES COMMITTEE). DRAFT COUNCIL MINUTES IN REF A DEPARTED FROM NORMAL PRACTICE (I.E. ROUTINELY NOTING RESULTS OF INVISIBLES COMMITTEE'S EXAMINATIONS UNDER CMC) BY GIVING JAPAN PAT ON THE BACK FOR SIGNI-CANT STEP; HOWEVER, AT ELEVENTH HOUR BELGIAN PERMREP PROPOSED MODIFICATION WHICH WOULD HAVE ADDED CALL FOR FURTHER LIBERALIZATION. JAPANESE RESISTED THIS, BUT COMPROMISE REACHED (REF B) WITH ASSISTANCE OF US DEL WHICH TONES DOWN APPLAUSE AND SIMPLY NOTES "THE INTEN-TION OF THE GOVERNMENT OF JAPAN TO EXPLORE FURTHER
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PAGE 02 OECD P 05160 182011Z

POSSIBILITIES OF LIBERALIZATION OF CAPITAL MOVEMENTS."

2. SINCE JAPANESE LIBERALIZATION OF OPERATIONS SPECI-FIED REF A INCLUDES REMOVAL OF ALL RESTRICTIONS ON PORTFOLIO PURCHASE AND SALE OF SECURITIES (QUOTED AND UNQUOTED), EXCEPT FOR SOME MINOR PAYMENTS CHANNELS LIMITATIONS, AND SINCE THE CURTAILMENT OF THESE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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RESTRICTIONS OUGHT TO BE ALREADY IN EFFECT, WE ARE PUZZLED AT REPORT IN PARA 8 OF REF C THAT LIFTING OF LIMITATIONS ON PURCHASE AND SALE OF UNLISTED FOREIGN SECURITIES IS MERELY A POSSIBLE STEP WHICH MIGHT TAKE PLACE IN APRIL. ALSO, WHILE CMC REQUIRES LIBERALIZATION ONLY VIS-A-VIS OECD MEMBERS, IT EXHORTS EXTENSION OF LIBERALIZATION TO ALL IMF MEMBERS, AND WE WOULD BE SURPRISED IF GOJ IS WITHHOLDING LIBERALIZATION FROM NON-OECD MEMBERS. WOULD APPRECIATE ANY CLARIFICATION EMBASSY COULD OBTAIN.

3. REFS A AND B BEING MAILED EMBASSY TOKYO (MACCAMEY).
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Message Attributes

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Sent Date: 18-Feb-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
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